GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA

STARRED QUESTION NO:380
ANSWERED ON:22.03.2001
FINANCIAL CRISIS
ASHOK NAMDEORAO MOHOL;SAMAR CHOUDHURY

Will the Minister of RAILWAYS be pleased to state:

(a) whether the Indian Railways are facing financial crisis for the past many years;

(b) if so, the details thereof and reasons therefor;

(c) the percentage of passenger fares and freight rates hiked during the last three years;

(d) whether the passenger services are being heavily cross subsidised by freight services;

(e) if so, whether the freight traffic which is the breadwinner of Indian Railways is being diverted to other modes of transportation; and

(f) if so, the steps taken by the Railways to eliminate the freight services from subsiding the passenger services?

Answer

MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRI DIGVIJAY SINGH)

(a) to (f) A statement is laid on the Table of the Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO.380 BY SHRI SA CHOUDHURY AND SHRI ASHOK N. MOHOL TO BE ANSWERED ON 22.03.2001 REGARDING FINANCIAL CRISIS.

(a) and (b): In recent years, after implementation of the recommendations of the Fifth Central Pay Commission, the increase in Railways' expenditure has been far more than the increase in its earnings. Consequently, the internal generation of resources to finance Railways' Plan has reduced drastically. The Railways could sustain the minimum level of Plan activities only by drawing down heavily from the Railway Reserve Funds during the period from 1997-98 to 1999- 2000 and by deferring a part of dividend payment thereafter.

(c): Fare and freight rates increases during the last three years vary for different classes and commodities depending upon the lead. However, the average overall increases in fares and freight proposed in the budget estimates of the last three years are as under:

	1998-99	1999-2000	2000-01
Passenger	6%	2%	-
Goods	-	3%	2%

(d) to (f): A degree of cross-subsidisation exists in most industries and Indian Railways are not an exception. As far as Indian Railways are concerned, along with its commercial operations, it is also required to discharge various social responsibilities. In view of the socio-economic objective of the Government, increases in passenger fares have been restrained. For similar reasons, certain freight commodities are transported below cost. The element of cross- subsidisation on freight traffic is a contributory factor for the falling market share of Railway transport in freight movement. Sustained action has been taken to reduce the cross- subsidisation. In the last three years, Railways have only nominally increased the freight rates, averaging two to three per cent as against an increase of approximately 9% in input costs. Measures have also been taken to reduce the losses in passenger services by increasing revenues from passenger traffic through better asset utilisation, cost control and by promoting higher rate of growth in passengers.